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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 17 December 1977 CG NIDC 77/292C

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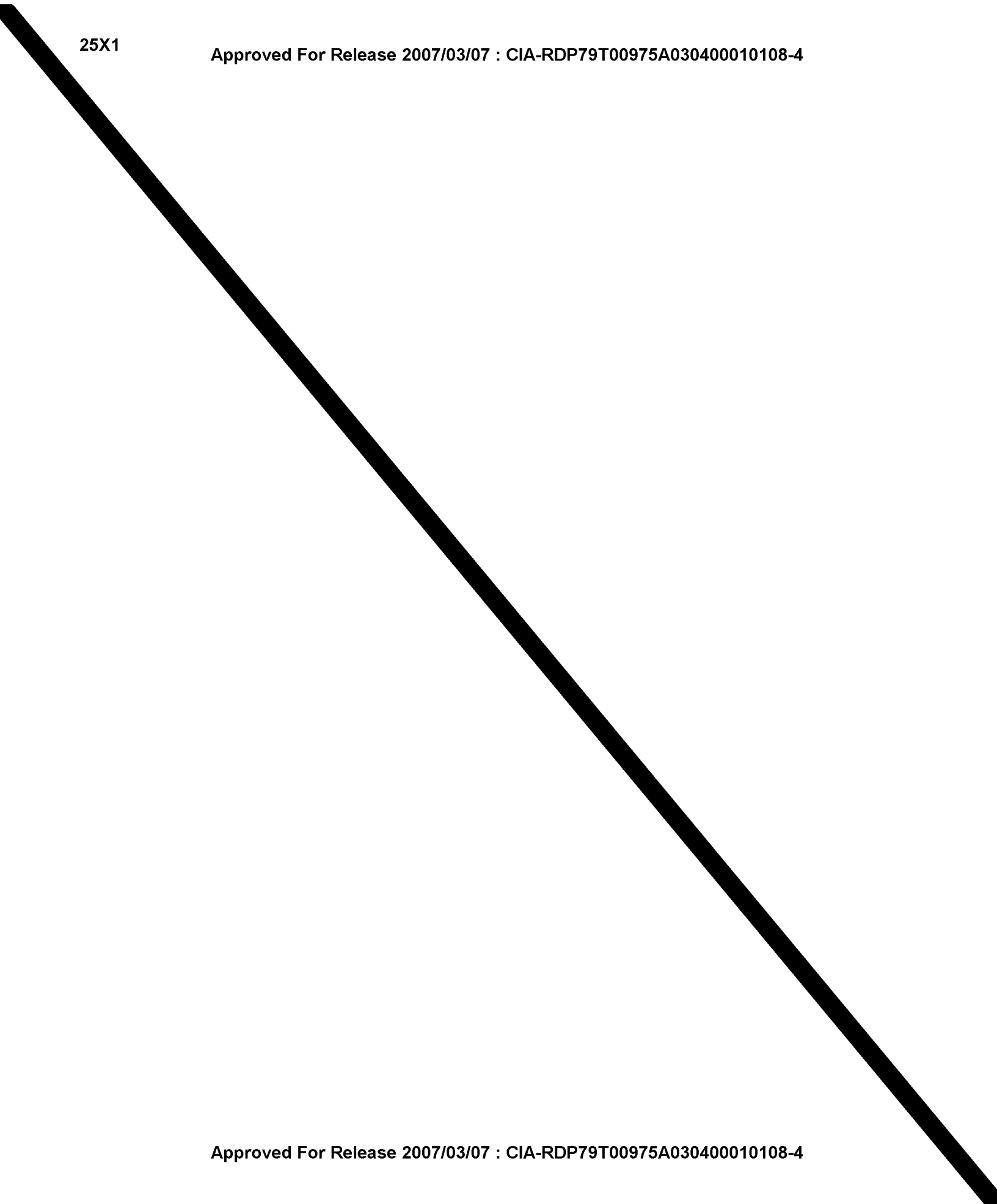
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National Intelligence Daily Cable for Saturday, 17 December 1977.

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The NID Cable is for the purpose of informing senior US officials.

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ITALY: Communists' Tough Line

//Pressures on the Andreotti government have increased markedly in the last week.

Organized labor yesterday expressed dissatisfaction with Andreotti's latest economic proposals and is threatening a general strike. Meanwhile, Andreotti's Christian Democrats seem increasingly inclined to grant the Communist Party a larger role, although they still appear reluctant to admit it to the cabinet.//

//In the last week the Communists have veered away from the conciliatory and pliant posture that has characterized their behavior during most of Andreotti's 16-month tenure toward a more combative and demanding line. Although they have probed periodically for concessions, they have pushed hard for major changes on only a few occasions; last spring, for example, they demanded and received a formal role in drawing up major parts of the government's program.//

//Communist chief Berlinguer now seems prepared to risk Andreotti's collapse in an effort to gain more influence for his party.

Berlinguer went on in a TV interview to call--in an uncharacteristically rigid and insistent tone--for direct Communist participation in a broadly based government of "national emergency."

Berlinguer's tougher line may have stemmed in part from rank and file discontent with his cooperative approach to the government, but there does not appear to have been a recent increase in such internal party pressures. A more likely cause is Berlinguer's perception that resistance to a deal with his party is declining among leading Christian Democrats. In their own recent deliberations about the political future, key Christian Democrats have shown a markedly increased receptivity to closer collaboration with the Communists.

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25X1 The reasons behind the Christian Democrats' new openness are complex, but probably include the growing belief in Italy that Berlinguer's party is changing for the better, the declining likelihood that the Socialist Party will ever become a reliable alternative partner for the Christian Democrats, and the desire of some leading Christian Democrats for Communist support in next year's presidential election.

25X1 Adding all of this up, Berlinguer may have concluded that the time was ripe for a determined drive toward a governing role. He faces some serious problems, however, in pressing his challenge.

25X1 Despite the Christian Democrats' evident flexibility, their chief strategist and most authoritative spokesman, party president Aldo Moro, emphasized this week that there are still "limits" to how far the Christian Democrats can go at this time in collaborating with the Communists.

25X1 Moro left the door open to a larger policy role for Berlinguer's party and even suggested that it could become part of the government's formal majority in parliament--a step the Christian Democrats have always resisted because it signals in Italy that a party is qualified to serve in the cabinet. But Moro asserted that an actual coalition with the Communists would violate the Christian Democrats' electoral mandate, and that Communist pressure for such a role could lead to a new election--which no one appears to want at this time.

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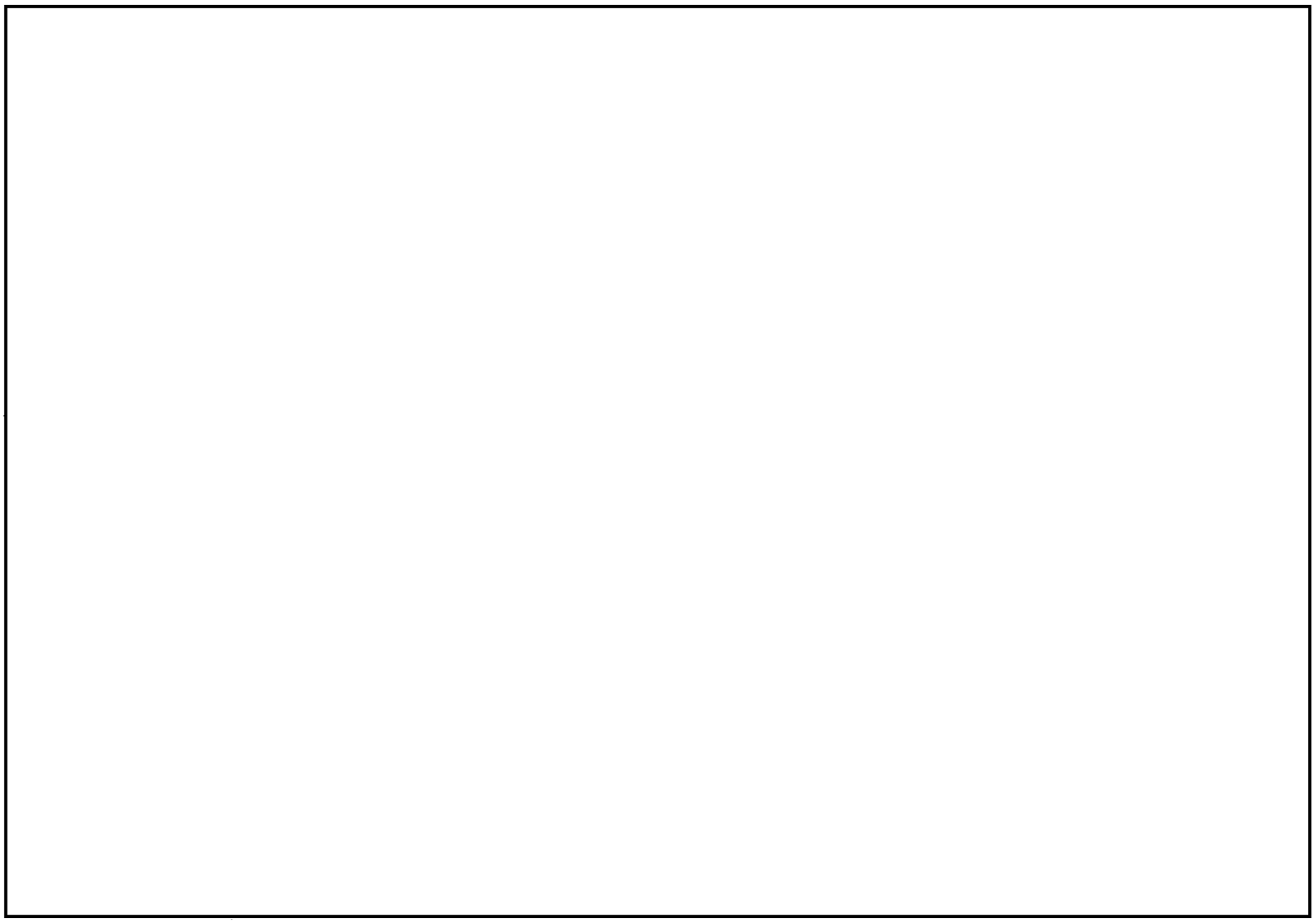
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25X1 The next few days will see intense political maneuvering as the parties weigh the implications of Berlinguer's move. Although he has said he will accept no less than full participation in the government, it is too soon to tell whether that will be the Communists' official position in the bargaining certain to get underway after Christmas; in the past, Berlinguer has usually asked for more than he realistically expected to receive. In any event, the Communist leader at this point seems in a strong enough position at least to carry his party another significant step toward a formal share of power.

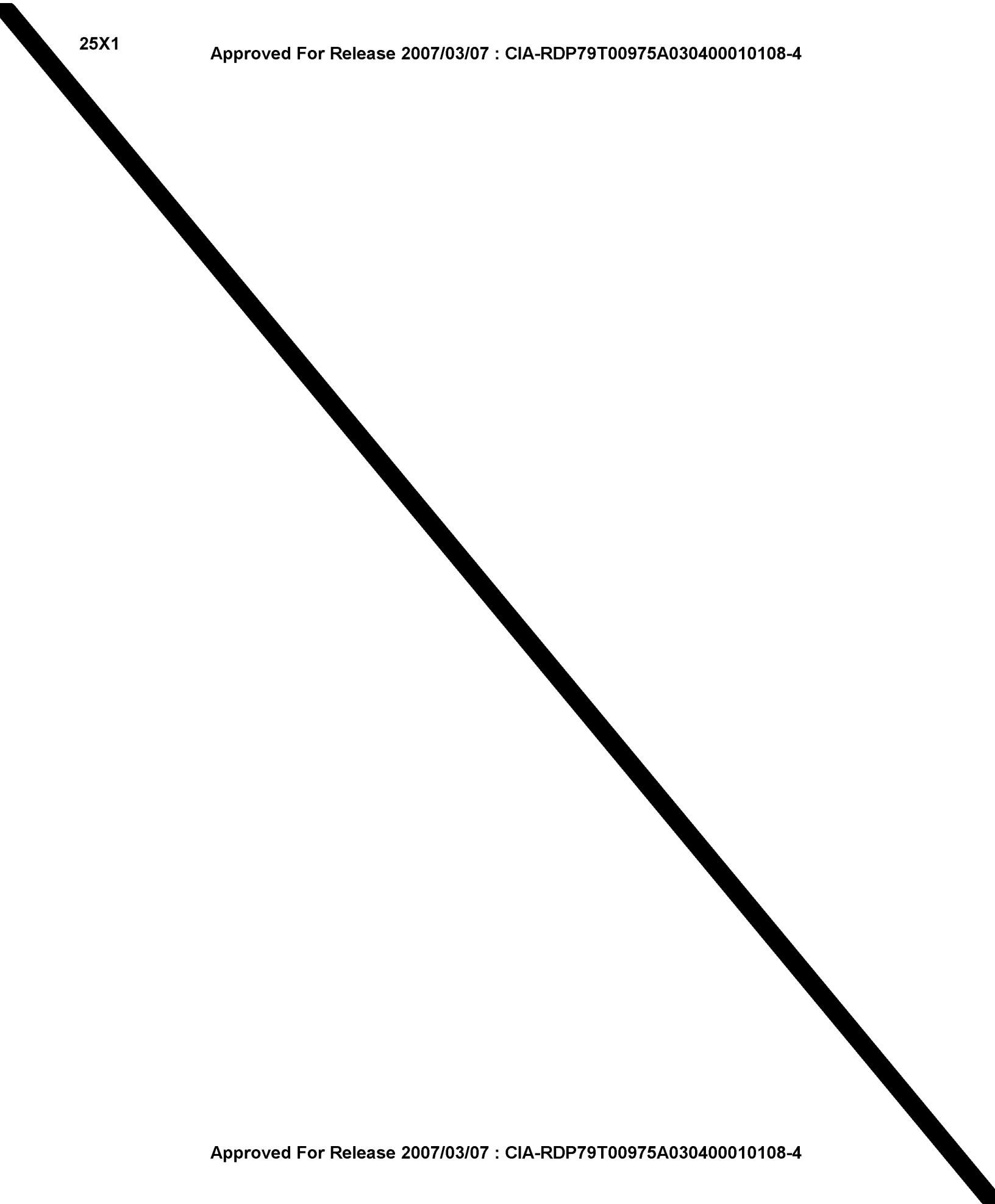
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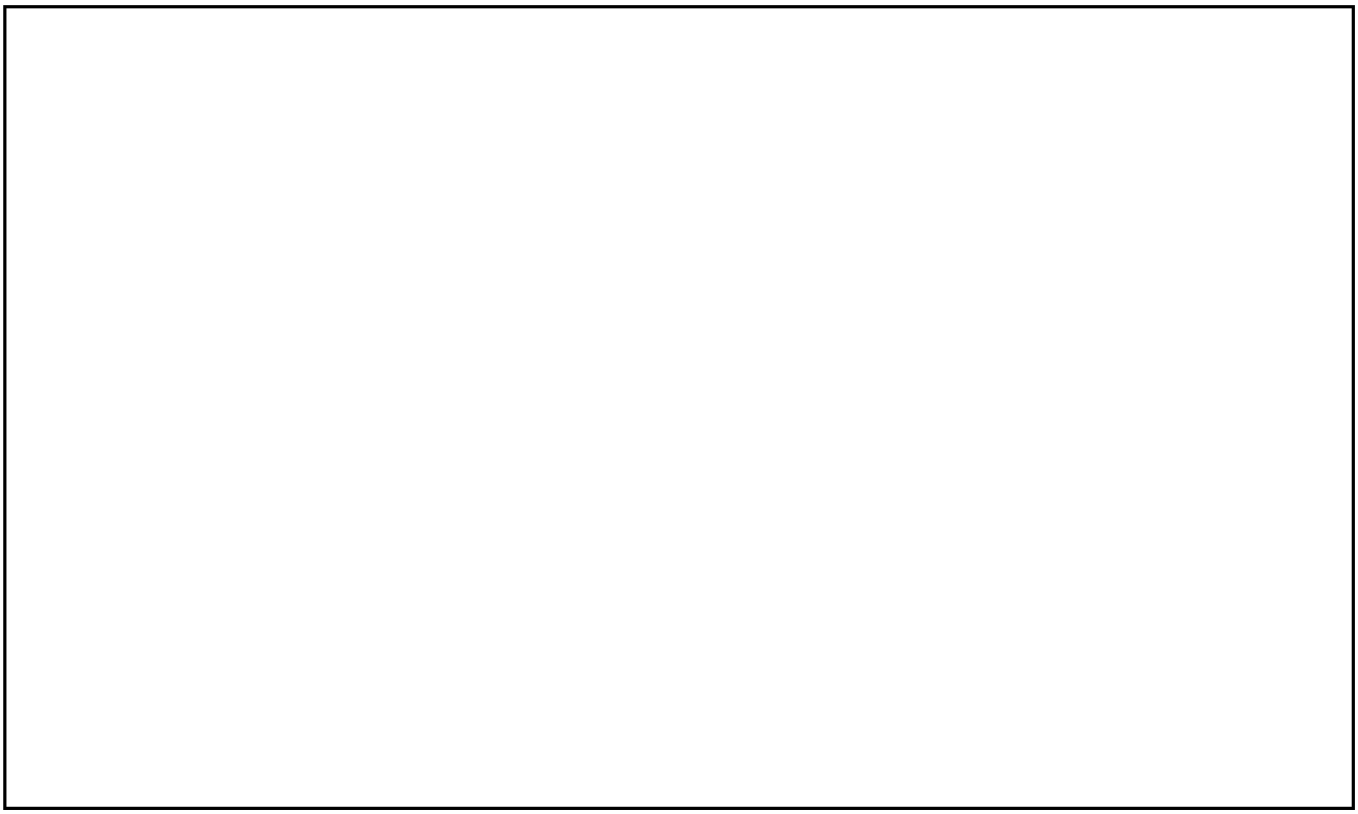


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EGYPT: Financial Implications

25X1 [redacted] *//Egyptian President Sadat's diplomatic initiatives could create serious financial difficulties for Egypt, if Egypt's financial benefactors conclude that he is bent on a separate agreement with Israel. Egypt needs an additional $500 million during the first half of 1978 to finance essential imports and debt service payments falling due. Egypt would be in for another financial squeeze if Arab support were not forthcoming.//*

25X1 [redacted] //At least two-thirds of Egypt's cash aid this year has come through the facilities of the Gulf Organization for Development in Egypt, a multilateral Arab organization established under Saudi auspices. The organization's initial $2 billion loan capital was severely depleted by this aid, which was authorized on an emergency basis following the consumer riots in Egypt last January. Arrangements for rebuilding the fund have not been completed.//

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25X1 //Egypt and its Arab benefactors were at odds over disbursement of the organization's remaining capital of $750 million even before Sadat's diplomatic initiatives. Saudi Arabia, Kuwait, Abu Dhabi, and Qatar preferred to reserve these assets for project aid. The Egyptians wanted a cash disbursement of $550 million to tide them over until 1978 aid arrangements are firm. These donors now may withhold support altogether pending further assurances that Egypt does not intend to make a separate peace with Israel.//

25X1 //Arab donors suspended ad hoc aid in the second half of 1976 over the issue of economic reform. Egypt was able to cushion the impact at that time by drawing on inventories of imported goods and deferring debt repayment. Attempts to restock essential imported items this year may have been hampered by congestion in the port of Alexandria. A lengthy delay in aid receipts, therefore, could force the government into unpopular controls on consumption.//

25X1 //Sadat could resort to massive short-term borrowing and defer debt payments. This, however, would jeopardize the standby agreement that was negotiated with the International Monetary Fund this year, the basis for most of Egypt's other outside assistance.//

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25X1 //Egypt also could launch a "peace bond" drive among expatriate Egyptians. Egyptians abroad are already financing imports of luxury goods worth at least $400 million annually. A well-managed bond drive might conceivably siphon off some of this cash for essential imports.//

25X1 //Egypt probably can count on Saudi Arabia to mount a financial rescue operation before economic conditions provoke serious domestic unrest if Sadat does not negotiate a separate agreement with Israel.

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DJIBOUTI: Caught in the Middle

25X1 *A pro-Ethiopian terrorist band in Djibouti has recently carried out attacks against French citizens as part of an effort to assert Ethiopian influence there. The attacks by the band, which consists of members of the Afar ethnic group, also reflect increasing animosity between the Afars and Somali-related ethnic groups. The Afars may step up their attacks in an attempt to force a complete withdrawal of French military personnel from the newly independent country, leaving it virtually defenseless against rival Ethiopian and Somali efforts to dominate it. Somalia has the advantage for now, but this could change if Ethiopia regains the initiative in the Ogaden.*

25X1 On Thursday, a grenade was thrown into a restaurant frequented by French servicemen in the city of Djibouti, killing three people and injuring 25. All but one of the casualties reportedly were French citizens, most of them military personnel. The terrorists were almost certainly Afar dissidents and probably members of the Marxist-led Popular Liberation Movement--MPL--which is financed and armed by Ethiopia. The police have arrested large numbers of Afars, including many MPL members.

25X1 In late November, the MPL kidnapped two French teachers in Western Djibouti. One of the hostages was killed and the other seriously wounded in a subsequent shoot-out with security forces. In October, the French pilot of an Air Djibouti aircraft was killed in an unsuccessful hijacking attempt by Afar dissidents who were almost certainly MPL members.

25X1 The MPL's immediate goal is to prevent western Djibouti from being used as a staging area by Somali-backed anti-Ethiopian Afar guerrillas, who have been infiltrating into Ethiopia in an attempt to interdict the vital road between Addis Ababa and the port of Assab. The road is Ethiopia's only remaining land link to the sea.

25X1 In support of its objective, the MPL is attempting to diminish or eliminate central government and French influence in western Djibouti. After the kidnapping of the French teachers, France withdrew all its technical personnel from the area.

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25X1 The MPL is a small organization, but it can count on the sympathy of large numbers of Afars in Djibouti. The Afars believe they are being discriminated against by the government, in which ethnic Somalis predominate. The Afars complain that the government favors Somalis in official appointments and is supporting Somalia in its war with Ethiopia. Ethnic rivalries are besetting the cabinet. Afar ministers share the MPL's view that the government is becoming a puppet of Somalia.

25X1 The latest terrorist attack in Djibouti has deepened ethnic cleavages. Some ethnic Somali politicians believe the attack was directed against them, and they are calling for the arrest of Afar political leaders. Djibouti's politics are thus heading swiftly toward a clash between Afars supported by Ethiopia and ethnic Somalis supported by Somalia.

25X1 The MPL terrorist attacks are designed not only to deny sanctuary to anti-Ethiopian guerrillas but also to test Paris' resolve to maintain 4,000 troops in Djibouti. The troops remained after Djibouti's independence in June in order to protect the country against aggression from Somalia or Ethiopia. Attacks on French citizens could well trigger a reaction in France against a continued French military presence in Djibouti.

25X1 A French withdrawal would probably work to Somalia's advantage in the near term. Somalia would be free to try to take over Djibouti, either by an invasion or through the use of its agents in Djibouti. The Somalis give lip service to support for Djibouti's independence but have not abandoned their goal of incorporating it into "greater Somalia."

25X1 Ethiopia, preoccupied with the conflicts in the Ogaden and Eritrea, would be hard pressed to counter immediately a Somali bid to gain control of Djibouti. The MPL and other pro-Ethiopian groups in Djibouti would resist a Somali takeover, but they would probably be overcome by the pro-Somali elements.

25X1 The situation would be reversed if Ethiopia gained the military advantage and defeated the Somali forces in the Ogaden--an unlikely development for several months at least. Ethiopia, as part of a settlement imposed on Somalia, would almost certainly demand either the incorporation of Djibouti into Ethiopia or guarantees of Ethiopian hegemony over the territory.

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Ethiopia would want to assure its control of the important Addis Ababa - Djibouti railroad, which carried a large part of Ethiopia's foreign trade before it was put out of commission by Somali guerrillas in June. Djibouti's port will be even more important now that Ethiopia seems likely to lose control of Massawa to Eritrean guerrillas, leaving the already congested port of Assab as Ethiopia's only other means of access to the sea.

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USSR: Siberian Oil Resources

25X1 *A recent report by the US Geological Survey that the West Siberian basin may have as much as 48 billion barrels of undiscovered oil in addition to total discoveries of 32 billion barrels does not change CIA estimates of Soviet oil production up to the mid-1980s. Because of time lags in discovering and developing new deposits before production gets under way, any estimate of undiscovered oil is not very relevant to the question of how much oil the Soviets will be able to produce over the next seven or eight years. More relevant are additions to proved reserves. On this, the Soviets are apparently running behind plan.*

25X1 CIA estimated last April that some 27 billion barrels of oil had been discovered in West Siberia--only 5 billion barrels below the Geological Survey's estimate of discoveries. Production to date from these fields has run about 7 billion barrels. CIA has not independently estimated ultimate potential oil resources of the West Siberian basin or any other Soviet petroleum region.

25X1 Based on analogies with US sedimentary basins and using volumetric estimating techniques, the Geological Survey estimated that the oil and gas potential in West Siberia ranged from a low of 20 billion barrels to a high of 80 billion barrels of oil; it reported the high estimate as the most realistic.

25X1 //Other researchers are much less optimistic about potential oil and gas resources in West Siberia. 25X1

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25X1 Soviet geologists undoubtedly have made estimates of undiscovered oil. The director of the West Siberian Research Institute for Petroleum Exploration recently stated in *Pravda* that Soviet geologists have discovered only part of the predicted reserves of oil and gas in West Siberia. He also said that in West Siberia nearly all "structural traps"--the type of geological formation in which most of the world's oil is found--have already been prospected and that now "nonstructural traps" must be sought. To date, these formations have been only a minor factor in the total world output of oil.

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25X1 The Soviet official also stated that geologists in Tyumen--the principal producing area in West Siberia--have failed to meet the planned increase in oil reserves in 1976 and were also behind plan this year. The Soviets have not reported a major oilfield discovery in the past few years.

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ROMANIA: Hard Currency Deficit

25X1 *Romania's hard-currency trade deficit will rise to about $500 million this year, according to Romanian officials and Western bankers. Bucharest will have little difficulty financing the 1977 deficit because of its access to unused credits and some $280 million in bank loans. The government's efforts to reduce the imbalance to limit the growth in its hard-currency debt are likely to provoke increasing consumer unrest in the months to come.*

25X1 The surging deficit stems largely from trade with the West, where sluggish economic recovery and various restrictions on textiles and clothing imports have limited the demand for Romanian products. In addition, reconstruction needs from last March's earthquake have lowered building material exports.

25X1 Bucharest also planned to reduce oil product exports by 60,000 barrels per day this year because of dwindling domestic oil reserves, and agricultural exports have been held back because of the poor grain harvest. On the import side, machinery purchases may have rebounded from last year's sharp cutbacks.

25X1 Because the trade deficit is increasing an already heavy debt burden, Romania is attempting to reduce the imbalance by further restricting imports. Such efforts are likely to intensify consumer unrest and increase the burdens on the domestic labor force at a time of heightened general resentment of such austerity.

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PORTUGAL: Political Breakthrough

25X1 *Portugal's Center Democrats have apparently informed caretaker Prime Minister Soares of their willingness to join his Socialist Party in forming a new government without*

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the Social Democrats. Soares referred to the development as a "breakthrough," but it is not at all certain that a new government can in fact be formed on such a basis.

25X1 Even though Center Democrats would participate as "independents" rather than as party members, the move would jeopardize the party's conservative constituency, which is already threatened by a rightward shift of the Social Democrats. Soares' own party, moreover, may not accept a de facto coalition with Portugal's most conservative major party. Soares is thus likely to use the development as a bargaining chip in his discussions with other parties and the President.

25X1 The Center Democrats' proposal, one of three submitted to President Eanes, may stem partly from their desire to avoid a new election, which might cost them votes and would further delay efforts to confront Portugal's economic problems. They are also impatient with Social Democratic intransigence in dealing with the Socialists. The Social Democrats continue to insist that any kind of minority government is unacceptable, and they are unlikely to be forced by the Center Democrats into an accommodation with the Socialists.

25X1 It is uncertain what President Eanes' response will be. He has been moving to resolve the government crisis himself since Soares fell last week. //He has been considering party positions and proposed solutions to the government and economic crises 25X1

JAPAN: Opposition Cooperation

25X1 *Recent statements by the leaders of Japan's moderate opposition--the Clean Government and Democratic Socialist Parties--suggest that both parties are likely to cooperate with the ruling Liberal Democrats in moving Tokyo's new economic program through the Diet next year.*

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25X1 In separate conversations with Ambassador Mansfield this week, the leaders of the two parties expressed their concern about the impact of Japan's growing trade surplus on relations with the US. Both emphasized, however, that they support mutual efforts to correct the problem. Democratic Socialist Party chairman Sasaki underscored his backing for the government's new economic program, including the plan for higher economic growth targets to help correct the trade problem next year.

25X1 The opposition leaders also expressed their support for the US-Japanese mutual security treaty. Political contention over the treaty has diminished in recent years. The Democratic Socialists already publicly back the treaty; Clean Government Party chairman Takeiri's statement to the Ambassador that the treaty would probably remain intact even if the ruling party lost its majority in the Diet reflects his party's gradual shift toward a more forthright stand on the pact.

25X1 Given the prospects for cooperation between the moderate opposition and the ruling party, the Socialist Party's new chairman, Ichio Asulcata, may hope to move the party toward a more moderate stand on some issues in order to revive the Socialists' declining political fortunes. Even so, his efforts are likely to be limited by divisions within the party. 25X1

BRIEFS

Turkey

25X1 //Turkish Prime Minister Demirel emerged defiant from meetings with Justice Party chiefs and his coalition partners yesterday and announced that he will not resign until ousted by a vote of no confidence.//

25X1 //Demirel's coalition has been severely weakened by the resignation of nine Justice Party deputies since June, and his intransigent stand may in fact incite more defections. Although he appears determined to avoid losing power, his ability to hold on is in serious doubt. 25X1

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Yugoslavia

25X1 [redacted] The Yugoslav Government has apparently jailed another leader of the pro-Soviet Cominformists. According to a West German news service, Professor Bogden Jovovic, an emigre who spent many years in Kiev and helped to found an illegal Communist Party in 1974 in Yugoslavia, has been arrested. Jovovic's capture, along with previous arrests of two other Cominformist officials, would leave the pro-Soviets nearly leaderless.

25X1 [redacted] Jovovic left the USSR two years ago and spent some time in Paris and London. As in the arrest of Cominformist leader Mileta Perovic announced late last month, the Yugoslav authorities will probably insist they apprehended Jovovic within Yugoslavia. In a similar case in 1975, however, the Yugoslav secret police kidnapped a Cominformist from neighboring Romania.

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